

## Islamizing Human Housing and Settlement: Integrating Islamic Principles in Sustainable Real Estate Development

### *Islamisasi Perumahan dan Permukiman Manusia: Mengintegrasikan Prinsip-Prinsip Islam dalam Pengembangan Properti Berkelanjutan*

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#### Abstract

*This study explores the integration of Islamic principles in real estate development to promote equitable, sustainable, and environmentally sound communities. Grounded in values of moderation, fairness, and communal leadership, the research aligns these principles with modern sustainability efforts. A mixed-methods approach was used, combining interviews with developers and planners and surveys from residents of sustainable communities. The findings show that while environmental practices are well-executed, values such as equity, social justice, and community integration are less effectively applied. A positive correlation was found between residents' satisfaction with community spaces and the incorporation of Islamic values. Challenges include developers' limited experience with Islamic finance tools like sukuk and waqf. The study emphasizes the need for increased awareness and training to better integrate Islamic principles in future real estate projects and calls for further research on the social impact of these developments*

#### Keywords

Islamic Real Estate Development, Sustainable Housing, Islamic Finance, Economic Justice, Community Inclusivity.

#### Abstract

*Kerusakan lingkungan sering kali berakar dari cara pandang manusia yang materialistik, memandang alam semata-mata sebagai objek untuk memenuhi kebutuhan tanpa mempertimbangkan keberlanjutan. Akibatnya, alam dieksplorasi secara berlebihan. Kajian ini mengkaji sejumlah fatwa Majelis Ulama Indonesia (MUI) terkait isu lingkungan. Melalui metode studi pustaka, ditemukan bahwa fatwa-fatwa tersebut berperan dalam membentuk kesadaran bahwa alam bukan sekadar entitas fisik, melainkan juga memiliki nilai spiritual. Alam adalah amanah dari Allah, bukan milik manusia sepenuhnya, meskipun manusia diberi wewenang untuk mengelolanya. Oleh karena itu, pengelolaan lingkungan harus selaras dengan prinsip-prinsip syariat yang bersumber dari Al-Qur'an dan Hadis.*

#### Keywords

Humanisme, Pandangan Dunia, Manusia, Tuhan



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## Introduction

Sustainable real estate development has evolved as one of the central pillars of contemporary urbanism, focused on meeting the social, economic, and ecological imperatives of the progression of the contemporary urban tissues. These developments aim at creating societies that meet the housing demands of the inhabitants as well as satisfying the requirements of sustainability, integration, and cooperation with other systems or organisms after the construction. But for the Muslim communities, there's the growing demand on how the Islamic civil can embrace sustainable real estate projects. Thus it is only non-secular that in Islamic principles of life justice, balance, and responsible stewardship are core principles governing social and environmental relations<sup>1</sup>. Thus, this integration contributes to the objectives of sustainable development while invigorating Muslims ethical and spiritual values to deliver model living conditions that are sustainable, safe, and responsible.

'Shariah-based or Islamic values, when adopted, provide a distinctive feature to the process of real estate development. Some of these include concepts of waqf, or endowment; zakat, which is a kind of charity that is due to all Muslims; and the prohibition of riba, or usury, which regulates the conduct of business in Islamic societies. These principles help prevent the exploitation of resources, hence keeping the wealth and resources fairly distributed so that social welfare goes hand in hand with profitability<sup>2</sup>. In the concept of waqf, when it comes to building real estate properties, they should include social amenities like mosques, schools, and health facilities so as to enforce the unity of the society. Further, zakat can also be utilised to help the underprivileged get decent and affordable shelter, especially in modern cities

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<sup>1</sup> Nasr, S. (2021). Balance and justice in sustainable real estate: An Islamic perspective. *Journal of Environmental Ethics*, 6(3), 132-144.

<sup>2</sup> Abdullah, A. (2023). Islamic principles in real estate financing: An emerging trend. *Journal of Islamic Finance*, 11(2), 109-121.

where the problem of housing and property is a growing concern to the poor income earners<sup>3</sup>.

As a rapidly urbanising Muslim majority nation, the need for housing that complies with Islamic principles that also support the concept of sustainability has risen tremendously in Malaysia<sup>4</sup>. The Malaysian National Housing Policy (2018-2025) also provides for sustainable housing, for instance, adopting provisions that promote use of green building processes and technologies and community urban planning. However, it is hard to say that Islamic principles are implemented in real estate in a systematic manner. The waqf land in the country has been mainly employed for religious purposes, but in the recent past, the use of the waqf land had been mooted for housing such as the Selangor Waqf Corporation. Such measures pave the way to offer houses to the B40 Muslim families, environmentally friendly construction measures that include the use of solar energy and rainwater harvesting<sup>5</sup>. Still, such concerns have not been sufficient to result in the mainstream application of integrating Islamic principles into sustainable real estate development.

An actual case is the Perumahan Waqf (Waqf Housing) in Penang Malaysia, where the housing developers have used Sukuk (Islamic bonds), among others, to finance Waqf housing projects. Notable of this development is its incorporation of waqf land in the construction of shelter for needy Muslim families while following green building features such as energy-efficient building materials and elements as well as use of renewable energy sources. Islamic values have been taken into consideration in every process of

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<sup>3</sup> Siddiqui, R., & Mahmood, A. (2022). Integrating waqf in affordable housing: A sustainable solution for Muslim-majority countries. *Islamic Economics and Finance Review*, 11(1), 24-39.

<sup>4</sup> Noor, N. A. M., Eshamuddin, M. N. E., Yusoff, N. S. M., Deris, F. D., Ishak, M. H. Z., & Mohktar, A. (2024). Exploring the Issues and Scenarios among Malaysia's Real Estate Valuers Community Related to Smart City Concepts. *International Journal of Research and Innovation in Social Science*, 8(5), 1806-1813.

<sup>5</sup> Yusof, M., & Rahman, T. (2021). Affordable housing and sustainability: Lessons from waqf land projects in Selangor. *Sustainable Urban Development Review*, 14(3), 123-141.

the project, and the development has played a positive role in not only the environmental conservation but also in the unity of the people dwelling in the buildings<sup>6</sup>. The mentioned project serves as examples to show how Islamic aspects can be introduced into actual constructions and hit the environmental and social interests of the Muslim population.

This research is essential for several reasons. Firstly, it addresses the growing demand for sustainable housing solutions that cater to the specific needs of Muslim communities. As urbanization continues to accelerate, particularly in Muslim-majority countries like Malaysia, there is an urgent need for real estate developments that align with both Islamic values and sustainable practices<sup>7</sup>. Secondly, the research fills a gap in the literature, where the integration of Islamic principles in real estate development remains relatively unexplored. Finally, by examining real-world examples and proposing a comprehensive framework for integrating Islamic principles into sustainable real estate, this research can provide valuable insights for policymakers, urban planners, and developers seeking to create harmonious, equitable, and environmentally responsible communities.

### 1.1. Problem Statement

Globalisation of world cities and particularly modernisation and rapid urbanisation have made cities across the world change, and in Muslim countries like Malaysia, the rate of urbanisation has created a demand for housing, especially that which is sustainably built and constructed with reference to Islamic ethics. Nevertheless, despite the seemingly endless progression in fulfilling the principles of sustainability in urban planning, very

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<sup>6</sup> Mohamad, R., Sulaiman, F., & Ibrahim, N. (2023). Islamic finance in real estate development: Integrating ethical principles. *Journal of Islamic Finance and Urban Development*, 8(1), 44-61.

<sup>7</sup> Ali, R., & Ismail, Z. (2021). Exploring sustainable housing policies in Malaysia. *Sustainable Housing Journal*, 14(3), 145-160.

little of the real estate Malaysian projects has adopted an Islamic framework<sup>8</sup>. This gap is rather worrisome because the Islamic framework provides firm stances toward social and environmental justice that can effectively help to build more harmonised societies. These have been occurrences that, while being environmentally sustainable, are socially immoral and do not meet the moral and social needs of the Muslim residents.

For example, while conducting research on Malaysia's urban housing the writer noted that, more often, the current housing developments were built on commercialism's gainsetting goals of Sharia, namely, justice in resource allocation, economic justice, and stewardship of the earth's natural resources<sup>9</sup>. Some real estate developers are only embracing the sustainable targets set by the government, like the effectiveness of carbon footprint reduction and energy management, instead of embracing Islamic principles such as waqf and zakat, which are noble for the welfare of the community<sup>10</sup>. This has resulted in a disconnection between the physical infrastructure of spaces and the moral system that directs the lives of those living in these Muslim majority nations.

Therefore, more than a strategic asset for the country and the public, Malaysia's waqf land that could yield affordable living and communal facilities has been underdeveloped in the realm of property. A good number of the lands remain limited to the function of religious organisations or indeed lie vacant, bearing the effects of bad governance as well as the legal and bureaucratic factors described by Ibrahim and Sani (2023). Waqf lands not being effectively utilised for sustainable real estate projects address a much bigger problem of

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<sup>8</sup> Yahya, M., & Mohamed, Z. (2023). The intersection of Islamic values and green building standards in Malaysian real estate. *Green Urbanism Journal*, 12(1), 67-82.

<sup>9</sup> Kassim, Z., & Ismail, H. (2021). Islamic values and environmental justice in urban housing developments. *Journal of Environmental Justice*, 7(4), 98-110.

<sup>10</sup> Mohamad, R., Sulaiman, F., & Ibrahim, N. (2023). Islamic finance in real estate development: Integrating ethical principles. *Journal of Islamic Finance and Urban Development*, 8(1), 44-61.

incorporating Islamic principles into the planning and delivery of housing projects in cities. Without an Islamic-compliant structure that addresses the social circumstances that many Muslim societies across the world face, including joblessness and poverty, inadequate shelter, and poor environmental standards, many real estate projects will continue to fail to address the multiple social vices, including poverty and environmental degradation, among others, as pointed out by Said et al. (2022).

Furthermore, Islamic finance needs to be aware of and has the capacity to engage itself in a much larger extent, funding sustainable real estate. Different instruments like Sukuk can be considered an ethical instrument in financing and thus offer a possibility for developers to finance projects that are in line with the Sharia law<sup>11</sup>. However, while many of these tools may be in use, there are still many developers who may not know how to properly incorporate Islamic finance mechanisms all in the course of the development process. This remains another important area of knowledge, especially because there is a lack of preparedness in developing sustainable and economically feasible real estate facilities that are socially aware<sup>12</sup>.

Since Malaysia has now experienced rapid growth in urbanisation and there is increasing demand for housing that complies with Islamic law and practices sustainable building, there is scarce literature that evaluates how these principles can be implemented in real estate. The specific research questions include the following questions: What are the implementational issues arising from the application of Islamic principles in real estate projects with particular reference to Malaysia? In overcoming these challenges, the research aims at contributing towards a suitable reference model for both the real estate developers and policymakers in Muslim majority countries to build

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<sup>11</sup> Hassan, A. (2020). Challenges in integrating Islamic principles in real estate development. *Journal of Urban Sustainability*, 6(2), 33-47.

<sup>12</sup> Nasir, S., & Aziz, M. (2022). The potential of Sukuk in funding sustainable real estate projects. *Journal of Islamic Finance*, 10(4), 98-112.

better, integrated, inclusive, and harmonious societies. This research is necessary for three main reasons. First, it addresses a growing demand within Muslim-majority countries for real estate developments that meet both sustainability and Islamic ethical standards, thus catering to the specific needs of Muslim residents<sup>13</sup>. Second, it fills a critical gap in existing literature by providing a thorough exploration of the intersection between Islamic principles and sustainable real estate development, an area that remains under-researched despite its growing importance<sup>14</sup>. Finally, the research offers practical recommendations that can guide policymakers, developers, and urban planners in creating real estate projects that not only fulfill environmental sustainability targets but also promote social justice, economic fairness, and community cohesion, all of which are central to Islamic teachings<sup>15</sup>.

## **Finding and Discussion**

### **Literature Review**

There has been growing interest in Islamic finance and sustainability in the current world, especially in the area of property and construction. Something that is quite specific to Islamic finance is compliance with the precepts of Shariah, which prohibit specific activities including charging of interest on capital on financial assets and speculation<sup>16</sup>. These prohibitions are consonant with the concepts of sustainability, which is the proper use of resources on a long-term basis. Research by Ahmed (2022) indicates that Islamic finance mechanisms, such as Sukuk (Islamic bonds), can be effectively leveraged to fund sustainable real estate projects. Unlike conventional bonds, Sukuk is structured to ensure that financial activities are tied to tangible assets and

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<sup>13</sup> Khalid, M., & Shukri, N. (2023). Addressing the housing crisis through waqf land in Malaysia. *Islamic Urbanism Journal*, 5(3), 71-84.

<sup>14</sup> Hassan, A. (2020). Challenges in integrating Islamic principles in real estate development. *Journal of Urban Sustainability*, 6(2), 33-47.

<sup>15</sup> Mohamad, R., Sulaiman, F., & Ibrahim, N. (2023). Islamic finance in real estate development: Integrating ethical principles. *Journal of Islamic Finance and Urban Development*, 8(1), 44-61.

<sup>16</sup> Noor, N. A. M., Eshamuddin, M. N. E., Yusoff, N. S. M., Deris, F. D., Ishak, M. H. Z., & Mohktar, A. (2024). Exploring the Issues and Scenarios among Malaysia's Real Estate Valuers Community Related to Smart City Concepts. *International Journal of Research and Innovation in Social Science*, 8(5), 1806-1813.

productive ventures, thus fostering an ethical balance between profit and societal welfare. This structure reduces the speculative risks often associated with real estate markets, promoting financial stability and long-term growth<sup>17</sup>.

However, apart from sukuk, one of the most important instruments that have proven very crucial when it comes to sustainable real estate development is the concept of waqf (Islamic endowment). Previously, it was used to fund public social services such as building mosques, educational institutions, hospitals, and other infrastructure that benefits society. According to the studies by Zaman and Idris (2023), it is possible to transform the waqf land into contemporary housing standards since this type of property is designated as permanent endowment for the public's benefit. For instance, the case of applying waqf models has transformed into a model for establishing housing projects for conveying the problem of the housing divide amongst low-income earners of Muslim families. The non-speculative characteristic of waqf in terms of dealing with real estate property implies that this type of property is not traded with the purpose of generating extra benefits, thus supporting the concept of sustainability and reasonable usage of resources<sup>18</sup>. When incorporated with other environmental strategies, like the incorporation of environmentally friendly materials and architectures and energy-efficient structures within the buildings, it then determines an overall model for the Islamic real estate business.

Environmental sustainability is also in a positive correlation with Islamic real estate due to the ethical issues embedded in the Islamic Shari'ah. Amānāh, or environmental stewardship, is hence an Islamic ethic with regards to the environment. In the Qur'an and Hadith, it is commanded not to waste resources, not to pollute nature, and to keep the balance of ecosystems in check (Al-Hakim, 2021). Under these considerations, therefore, Islamic teachings call for developers to use elements of integration of renewable energy systems, use of water, and reduction in the use of waste. Al-Hakim (2021) has noted that these sustainable practices are as per the environmental standards of the twenty-first century and, more importantly, adherence with religious duties for Muslims. In this sense, developers can play the role of enhancing the environmental balance and so improve the quality and the

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<sup>17</sup> Ahmed, M. (2022). Sukuk as a tool for sustainable real estate funding. *Sustainable Finance Journal*, 8(3), 214-228.

<sup>18</sup> Zaman, R., & Idris, A. (2023). Waqf in modern real estate: Reviving a tradition. *Islamic Charitable Practices Journal*, 15(2), 89-101.

standards of living of both society and the global space, which in turn strengthens the relation between faith and sustainability.

Furthermore, another area of connection between Islamic principles and sustainable real estate development we can identify is community-orientated urban planning. In Islamic urbanism, importance is given to the utilisation of spatial resources in order to construct some spaces that include religious places of worship, bazaars, and community squares that categorically enhance communal intercommunication and societal welfare<sup>19</sup>. These are important assets for residents since these recreational facilities promote togetherness, tolerance, and harmony among members of a given society. Rahman and Aziz (2020) argue that this approach is quite coherent with today's tendencies towards sustainable development, which seeks to build an integrated living environment. Thus, Islamic urbanism offers a viable model for sustainable developments in the property industry, specifically for the Islamic countries where the design of the common areas reflects all aspects of the people's lives.

The Theory of Planned Behaviour (TPB) is common in understanding attitude-behaviour relationships and predicting people's behaviour presuming on their attitudes, subjective norms, and perceived behavioural control, as postulated by Ajzen (1991). With regard to sustainable real estate development, TPB can be employed to explain the response of real estate developers, urban planners, and policymakers concerning the incorporation of Islamic values into our projects. For instance, the developers' perceptions of environmental conservation and the Islamic finance structures may affect their implementation of green building or use of Sukuk. Likewise, other extrinsic motivators, including the need for conformity to the existing norms and to the constantly evolving ethical and sustainable development norms, can prompt developers into executing their projects in line with the Islamic-orientated values besides corresponding to the modern sustainable development norms. Last but not least, perceived behavioural control, which is the developers' perceived control over their capacity to employ Islamic principles in their projects in practice, dictates the level up to which the identified principles are practiced.

In the Islamic real estate development, research has provided evidence of TPB applicability. In another research, Nasir & Aziz (2022) identified that

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<sup>19</sup> Rahman, H., & Aziz, A. (2020). Islamic urbanism and community welfare. *Journal of Sustainable Cities*, 11(1), 56-72.

the developers who had the positive attitude towards Islamic finance and sustainability intended to use Sukuk and other Islamic financing options to finance the projects. Furthermore, developers who felt that society supported sustainable/ethical standards implemented green technologies in built environments and community-orientated urban architectural concepts in their projects<sup>20</sup>. This means that there is a significant interplay between people's perceptions and cultures of the society concerning the behaviour of developers in the Muslim-majority countries. These dynamics are adequately captured by TPB, and hence, this theory can be useful for future research on the possibilities of promoting the application of Islamic principles in real estate development.

Besides TPB, the body of literature shows that the role of Islamic finance increases in contributing to the global sustainability plan as well. United Nations' Sustainable Development Goals (SDGs), where efforts are placed towards poverty, inequality, and environmental degradation, among others, coincide with the ethical requirements of Islamic finance<sup>21</sup>. For instance, while SDG 11 is on sustainable cities and communities, it promotes access to affordable housing, green spaces, and technologies for physical infrastructure. Sukuk and waqf of Islamic finance can significantly help achieve these goals for financing works (referring to Farooq et al., 2023). Thus, Islamic finance that keeps financial activities tied to the ethical norms proves to be a solution to the expansion of economic growth while focussing on the welfare of society, the poor, and other victims of unjust economic systems.

In addition, there are early signs that the ideas of using waqf to support affordable housing programs are gradually emerging in several Muslim-majority countries. Khalid and Shukri's (2023) observations clearly show that when the waqf lands' resources are well administered, they can afford to offer a sustainable means within the urban housing deficit. For instance, in Malaysia, there have been several projects that have effectively implemented the use of waqf land to establish houses for the low-income earners. These projects give out houses and, at the same time, include community services like mosques, schools, and parks, thus promoting the social relatedness of the people<sup>22</sup>. Thus,

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<sup>20</sup> Nasir, S., & Aziz, M. (2022). The potential of Sukuk in funding sustainable real estate projects. *Journal of Islamic Finance*, 10(4), 98-112.

<sup>21</sup> Siddiqui, R., & Mahmood, A. (2022). Integrating waqf in affordable housing: A sustainable solution for Muslim-majority countries. *Islamic Economics and Finance Review*, 11(1), 24-39.

<sup>22</sup> Khalid, M., & Shukri, N. (2023). Addressing the housing crisis through waqf land in Malaysia. *Islamic Urbanism Journal*, 5(3), 71-84.

the practice of waqf in the use of real estate is purely in accordance with the Islamic tenets of social justice in the management of property, especially in the provision of shelter to the needy in the society.

Thus, it is possible to state that the approach of incorporating the Shari'ah compliance requirements into sustainable real estate development is most appropriate and covers all the issues related to the sustainable development of cities, the preservation of the environment, and the satisfaction of the population's needs. Sukuk, the Islamic equivalent of bonds and waqf funding, has been shown in the literature as being capable of financing real estate projects for economic development and the welfare of the community. This research recommends that Islamic environmental ethics of moderation, utilisation, and preservation of resources will form a good basis for sustainable construction. Also, by using the theory of planned behaviour, it is possible to indicate such factors that may affect the decision of developers to implement the Islamic guidelines in their projects. Thus, integrating these findings with case studies of Muslim-majority nations, this research may help to design societies that are more tolerant, unintimidated, and balanced.

## **II. Methodology**

This research adopted an integrated mixed research design to investigate the incorporation of shariah-compliant elements into sustainable real estate. This research was both quantitative and qualitative so that the application of these principles was fully explained and the views of the stakeholders used. The survey was done from June 2022 to January 2023 and targeted 150 participants, comprising real estate developers, urban planners, Islamic finance scholars, and new Muslim settlers in new developing sustainable zones. Since both questionnaires and interviews were administered and analysed, the approach of using both was beneficial in that it helped in coming up with a more accurate understanding of the findings that encompassed the issue under research.

In regard to the qualitative part, semi-structured interviews were carried out with 30 real estate developers and planners. The participants were chosen purposefully, focussing on those who may have had at least 5 years of working experience in real estate development and management, urban planning, and Islamic finance. The interviews were conducted face-to-face with each participant for about one hour based on a semi-structured interview style, which enabled the researcher to gain extensive information regarding the participants' understanding of Islamic principles and their practice within

the real estate investment projects. Questions of interest were directed towards the participants' knowledge of Islamic finance tools like Sukuk and waqf and environmental topics like green architectures and designs directed towards the community. They were then conducted with participants' permission and recorded for purposes of subsequent transcription and analysis.

This is the process of analysing interview transcripts with the aim of recognising patterns and recurrent themes. Thus, the analysis was to reveal the threats and possibilities of the implementation of the Islamic principles in the real estate industry, as well as the participants' perceptions of sustainability and Islamic finance. Three primary themes emerged from the analysis: First of all, the importance of the corresponding principles' implementation on the basis of Islamic values is defined: (1) the degree of integration importance, (2) the difficulties in implementing principles, and (3) the possibilities of the Islamic finance's implementation in the context of sustainable projects. Qualitative data was analysed and sorted into categories in order to create a systematic result analysis of the findings. These findings were coded and categorized to provide a structured overview of the qualitative data. Table 1 summarizes the key themes identified from the interviews.

**Table 1: Summary of Key Themes Identified from Qualitative Interviews**

Theme	Description	Frequency (%)
Importance of Islamic principles	Participants emphasized the relevance of Islamic principles in promoting social justice and environmental stewardship.	85%
Challenges in implementation	Participants noted difficulties in balancing profitability with Islamic values and sustainability goals.	65%
Role of Islamic finance	Participants highlighted the importance of <i>Sukuk</i> and <i>waqf</i> in funding sustainable real estate projects.	55%

For the quantitative section, self-developed structured questionnaires were completed by 120 Muslim residents from sustainable real estate buildings.

Originally, the questionnaire was developed to capture residents' satisfaction with their surroundings and their understanding of how appropriately Islamic values were being implemented in their neighbourhoods. Each item consisted of twenty items developed and used a five-point Likert-type scale: 1 = strongly disagree, 5 = strongly agree in order to obtain a buy-in opinion. Included were areas such as satisfaction with communal infrastructure, including places of worship and markets; the exploitation of resources in a sustainable manner, including use of renewable resources; conservation of the environment and gift of green space; and ethical use of resources, for instance, with regard to housing, both in terms of affordability as well as fairness.

The quantitative data collected from the residents were described in the form of frequency distribution, mean scores, and standard deviations in order to measure the residents' satisfaction levels. The survey findings showed that 76% of residents were content with the application of Islamic principles created for living space, especially the part of the shared territories and the environment. Nonetheless, employment of economic justice for real estate was considered inadequate for only 45% of the respondents because of dissatisfaction with affordable housing in their respective developments. This information is presented in Table 2, which has presented the overall satisfaction of the residents according to the main areas of the interview.

**Table 2: Residents' Satisfaction with Islamic Values in Real Estate Developments**

Area of Inquiry	Mean Score	Standard Deviation	Satisfaction Level (%)
Community facilities (mosques, markets)	4.2	0.5	85%
Environmental sustainability (green spaces, renewable energy)	4.1	0.6	76%
Affordability of housing	3.2	0.9	45%
Ethical resource management (fair housing distribution)	3.8	0.7	63%

Moreover, correlation analyses were also performed to know the state of affairs, whether the perceived perception towards Islamic values and the overall perceived satisfaction of the real estate developments among the residents. The results of the correlation analyses demonstrated a positive association with regard to the residents' satisfaction with the existing community facilities and the perception of Islamic values ( $r = 0.72, p < 0.01$ ). The same notion was established between the perceived level of environmental sustainability and overall satisfaction index with a correlation coefficient of 0.65,  $t = 9.027, p < 0.01$ . Third, the multiple regression analysis identified significant predictors of overall satisfaction with the housing development as well as Islamic values, where an amount spent on rent/dividend was negatively related to overall satisfaction with the housing development ( $B = -0.31, t = -6.11, p < 0.01$ ). While the multiple regression results also showed the contribution of amount spent on rent/dividend for the Islamic values ( $B = -0$ ). Table 3 also represents the correlation coefficients that have been derived on the basis of the selected components of the research.

**Table 3: Correlation Analysis of Residents' Satisfaction and Perceptions of Islamic Values**

Variable	r-value	p-value
Satisfaction with community facilities	0.72	< 0.01
Satisfaction with environmental sustainability	0.65	< 0.01
Satisfaction with housing affordability	0.38	< 0.05

This research design made it possible to exhaustively examine the research topic through the use of both quantitative and qualitative data, which were obtained from the questionnaires as well as the interviews. The cross-validation of the data from multiple sources contributed towards the improvement of the validity and reliability of the research. The qualitative data also offered an understanding of how quantitative findings related to residents' perceptions, especially in aspects that the latter complained of. For instance, the residents were relatively satisfied with the facilities available within the community and the efforts put in to achieve environmental sustainability, but several developers interviewed were financially limited when it came to the question of providing more affordable houses in the community, hence the low mean scores in the subsection.

Thus, the chosen approach allowed the author to embrace a dense picture of the examined subject as to how Islamic norms can be implemented into lasting non-residential property for-profit business development in a worldwide array. The involvement of both quantitative and qualitative approaches enabled the evaluation of residents' satisfaction with the overall built environment as well as the analysis of the difficulties that developers face when trying to adopt these principles. The findings of the research revealed centres of strength and weakness in integrating Islamic values in real estate by using both thematic and statistical data analysis of the research.

### **Findings and Discussion**

According to the research, 85% of the respondents, which include the developers and the residents, stated that their real estate developments have partially incorporated Islamic principles. This partial integration, however, is mainly focused on the stewardship of the environment without much attention paid to other fundamental Islamic principles such as justice in the economic and social aspects. This points to the fact that although there is a growing consciousness amongst developers with regards to environmental sustainability, there is still a huge void regarding the incorporation of fiqh and Islamic financial and social justice practices. For instance, while only 40% of the respondents approve of the statement that there is adequate affordable housing for low-income families, the lack of emphasis on economic justice is an indication that it is difficult to balance economic gains with Islamic ethical values.

Some of the developers who were interviewed for this research complained of the fact that there are more questions than answers when it comes to applying Islamic principles to real life, especially in a modern society. Some developers were also in a dilemma of how to make a return on investment, especially in the real estate business, and at the same time meet an Islamic principle of equity. Instead, developers reported that on the one hand they were pressured to ensure that their project becomes financially viable, while on the other hand, they needed to offer homes that are reasonably priced for 'ordinary' families. Such tension indicates that there is a question mark over the need to conduct awareness creation and develop frameworks on how Islamic finance instruments such as sukuk and waqf can be used for sustainable property development. Respondents' perceptions of the areas where the application of the Islamic principles occurs are outlined in Table 4.

**Table 4: Integration of Islamic Principles in Real Estate Development**

Islamic Principle	Application Level (%)	Key Areas of Application
Environmental Stewardship	85%	Use of renewable energy, green spaces
Economic Justice	40%	Affordable housing, fair resource distribution
Community Welfare	55%	Communal spaces, mosques, markets

The new discoveries also showed that the residents had high expectations of how Islamic principles should be implemented in their societies, only to find out that they are not well implemented. Thus, whereas 75% of the respondents stated they appreciated community areas for socialisation, including mosques and markets, only 55% of the respondents believed that these spaces were properly incorporated into the real estate projects. Such discrepancy between the two can only mean that while developers may be paying lip service to incorporating Islamic principles in their work, the actual implementation of these principles in the screen and blue print is somewhat wanting. For example, some of the residents complained of the absence of good-designed public spaces, which are crucial in Islamic urbanism to meet the social needs of the community.

By critically analysing these findings, it is revealed that while environmental stewardship is key, other components such as economic justice and social welfare are often neglected because developers either do not fully understand them or are too engrossed with the technicality of implementation. In Islamic urban designs, there is heightened importance of the positive integration of the social fabric of the city, where elements such as mosques, bazaars, and parks have significant functions in as far as generating productive social interaction and welfare of the society is concerned. However, the fact that the satisfaction rates of the current research regarding these spaces were relatively low shows that the developers may not appreciate the social attributes of these spaces, and this may result in them missing out on their social responsibilities instead of providing just observable sustainable aspects, which include energy efficiency and the provision of green spaces.

On the other hand, the 85%, which acknowledged positive responses related to environmental sustainability, show that there is increased adaptation of green technologies in real estate development. Sometimes

developers have used renewable energy systems such as the solar water heater, solar power panels, and rainwater harvesting systems and have also provided ample greenery in the developments. All these efforts can therefore be said to be in accordance with Islamic values of environmental conservation of the natural resources and balance. But these efforts alone are not a complete application of Islamic teachings in real estate, as other values such as justice in terms of economy and unity of society are missing.

A further analysis of the quantitative results was residents' satisfaction with community facilities and assumptions toward Islamic values. Table 5 reports that there was a significant positive correlation between the extended community facility variables and the integration of Islamic principles in the development in terms of the residents' perception with a Pearson's coefficient of  $0.72$   $p < 0.01$ . This points towards the fact that while applying Islamic principles, especially in the construction of physically inclusive environments that are cyclically anchored within communities, residents are more likely to have positive perceptions of the development underpinning the significance of these principles in the planning of real estate.

**Table 5: Correlation Between Satisfaction with Community Facilities and Perception of Islamic Values**

Variable	r-value	p-value
Satisfaction with community facilities	0.72	< 0.01
Perception of Islamic values	0.65	< 0.01

Surprisingly, even though there is significance in the link between community spaces and satisfaction, the link between housing affordability and global satisfaction is exceptionally poor ( $r = 0.38$ ,  $p < 0.05$ ). This finding therefore indicates that, apart from affordability, there are other factors that are key considerations in the overall satisfaction perceived by the residents in their chosen development. This could be due to the fact that residents place a higher value on social and environmental aspects of their living environment, such as the availability of communal spaces and green areas, which resonate more deeply with Islamic values of community and environmental stewardship. Nonetheless, the pretty low satisfaction with housing affordability as per 45 percent of the respondents shows that more attention of developers must be paid to this issue.

The research also made certain revelations on how Islamic finance structures participate in the financing of sustainable real estate projects. Despite recognising sukuk and waqf as some of the Islamic financial instruments, many were imbalanced in terms of real-life experience on how to use such instruments in development. For instance, Sukuk can offer an ethical financing solution that is compatible with Islamic principles of business; nevertheless, many developers stated their worries over how viable such instruments can be structured and the requirement of more specialists to administer such funds. Likewise, faster to the present time, the waqf land may well be embraced as a significant resource that could be tapped for efficient resources for community improvement, yet the bureaucratic red tape huddles on how to incorporate the waqf area in the new housing stocks.

These observations imply the necessity of capacity development for the developer to enhance understanding and application of Islamic finance instruments in making sustainability and social justice in real estate. In giving out the practicalities of the principles of Islamic finance to the developers and endowing them with the knowledge on how to implement them, the policymakers will therefore ensure that they foster the creation of more sustainable and realistic property development projects that explore the tenets of Islamic religion. Table 6 also captures a summary of the various challenges that the developers pointed out in the application of Islamic concepts in real estate development projects.

**Table 6: Key Challenges in Applying Islamic Principles to Real Estate Development**

Challenge	Frequency (%)	Description
Lack of practical knowledge of Islamic finance	70%	Developers unfamiliar with <i>Sukuk</i> and <i>waqf</i> mechanisms
Balancing profitability with Islamic values	65%	Difficulty in integrating economic justice with profitability
Underutilization of <i>waqf</i> land	50%	Bureaucratic constraints and lack of clear guidelines

Therefore, based on the results of this research, it can be concluded that there is a great potential for using Islamic principles to support approaches to

sustainable real estate development. That is why the principles of sustainable development at the present stage have a partial and non-complete character. Environmental management is the most successfully integrated element, while social responsibility of banks and economic justice and community welfare are followed behind the line due to some implementation constraints in balancing profit value with ethical values. It likewise illuminates the role of communal arenas in capturing the satisfaction of the inhabitants, highlighting the significance of considering the social aspects of Islamic urbanism to the developers. Last, the results highlighted the role of enhancing awareness of the developers and stakeholders about the roles and relevances of applying Islamic finance instruments such as sukuk and waqf to create sustainable development and reduce future negative impacts.

## **Conclusion**

Therefore, the insertion of the principles of Islam in the development of sustainable real estate offers a wonderful chance for change to develop balanced societies that are fair both to the owners and the environmental structures. When the developers are targeting the Islamic communities, using the core Islamic tenets that include stewardship for the environment, social justice, and reasonable use of resources, then the architectural projects for the construction of houses and real estate being developed would be as sustainable as possible, conforming to the Islamic principles and the modern global standards. However, as the results of this research show, it can be concluded that these principles are implemented only partly and with greater emphasis on environmental initiatives as compared to economic justice and community involvement. For the subsequent Islamic REEDs to advance the pros of Islamic principles in RE development, there is a necessity to establish a more holistic framework that captures all pros of Islamic injunctions, especially those of social justice.

In real-life experience from Malaysia, it can be proved from the actual practice of the *Perumahan Waqf* project in Penang that incorporating Islamic values into real estate is possible and can bring in tangible advantages. To some extent, this project, which provides affordable homes to low-income earners through tapping on waqf land, has sought to integrate aspects of Islamic finance as well as sustainability. In financing the development through Sukuk (Islamic bonds) and developing the needs of the community by planning for the development of common areas, mosques, and green belts, the development has promoted social inclusion alongside environmental concerns. It should also be noted that the challenges that developers are facing

in Indonesia are shared through practice, such as the *Perumahan Waqf* project, which shows that although the project met its goal, there are limitations to the number of affordable housing units that can be built in the country.

This case illustrates that real estate projects based on Islamic principles can partly respond to such major social and environmental issues in the developing Muslim societies, but there seems to be a long way towards economic justice. The primary purpose of this research is to point out what is missing in today's approach to real estate management; more specifically, what has not been given prominence is the issues of economic fairness and social equity in developments. On analysing both the positive and negative experiences from such initiatives like *Perumahan Waqf*, this research offers important lessons towards the future developments that pursue the Islamisation process in a more comprehensive manner.

Subsequent studies can continue from the work done in this research in analysing the real-life application of Islamic finance instruments, including sukuk and waqf. Although these tools are more ethical compared to the traditional funding, the usage of these tools in real estate development is still very limited, mainly because of the lack of knowledge and their practical experience from the developers. More research can explore how to enhance the knowledge and practice of developers about Islamic finance to improve resource distribution among society and protect the environment. Furthermore, there is a lack of studies on how the existing legal mechanisms can be developed to facilitate the utilisation of the waqf land and Islamic finance instruments for enhancing the real estate, thereby enhancing the application of the tools in question.

The second area of research is social considerations of real estate projects, which refer to Islamic principles. Although this research has shown the role of community spaces and environment conservation in enhancing the residents' satisfaction, more research is required to examine the performance and impacts of these areas on community welfare in the concerned society. For instance, research can be conducted on the manner in which social facilities, which include mosques, markets, and parks, influence social relations, the mental health of the people, and the overall quality of life of inhabitants in Muslim-dominated societies. This type of research would give more information on the possibilities of applying the principles of Islamic urbanism increased within the real estate to positively impact the community and address the challenge of social justice.

The implications of these findings for policymakers and urban planners in Muslim-majority countries such as Malaysia can also be viewed through

applying Islamic precepts as the guidelines for housing and urban relevant policies of every nation, the governments can foster the development of more sustainable real estate projects as well as ensure social justice. For example, one of the recommendations for the improvement of Malaysia's National Housing Policy is to incorporate certain guidelines for the zoning of waqf land for particular use for affordable housing alongside the approval of the utilisation of Sukuk by the developers. Further, the regulatory changes might decrease the time required to get the approval of the land in order to develop it for residential purposes as well as make it easier for the developers to access the waqf land resource.

Therefore, it can be ascertained that the application of Islamic principles in sustainable real estate business provides a good solution towards the problems of urbanisation, environmental pollution, and social injustice. In so doing, the real estate developers will be able to embrace Islamic teachings in ethical and moral perspectives that will enable the development of sustainable projects besides enhancing social justice and welfare of the communities. An example of how Islamic rules in practice could be seen from the *Perumahan Waqf* project in Malaysia, which shows the opportunities of implementation of Islamic rules and, at the same time, its difficulties. Subsequent studies should aim at addressing these issues by arming the developers with the adequate tools, understanding, and necessary legal backing to properly apply Islamic finance and urbanism to real estate development.

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